

The IT SalesPulse - a sales briefing for Directors in the IT industry.

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WHERE HAVE OUR MARGINS GONE?

A straight forward answer to this question is that the IT industry has commoditised everything including people.

If you have been in this business for 25 years you will know how we got to where we are today, and you can call me to have a long nostalgic chat. However, as I do not anticipate a lot of reminiscing I will give you a brief potted history.

In the late 1970's margins on everything to do with IT were huge. 70% was not seen as a particularly good gross margin. Most of this wealth went to IBM, their 70% global market share left all the other companies scrapping with each other for the crumbs IBM didn't have or want. So they decided to gang up on "Big Blue" and formed the Open Systems movement (OSI). They could connect their distributed systems to each other, but IBM continued with its proprietary architecture. The result was IBM lost a bit of market share as the OSI movement gained momentum. Then came the biggest gaff in the history of this industry, the IBM PC; yes it gained massive market share, but unlike anything IBM had ever done before it was built with proprietary components, from Intel and Microsoft, and a bunch of bits you could buy anywhere. It was immediately cloned and this is where commoditisation started. The internet, or rather IP, brought about cheap and pervasive communications leaving just mainframes, and there are still some around, that run proprietary operating systems. Well, Windows and its derivatives are proprietary, they just appear relatively cheap.

As the IT services industry proliferated

Welcome to the IT SalesPulse

Koru is a sales company whose sole aim is to help our clients improve their return on their sales investments. This is the first of a regular newsletter from us covering sales issues for companies in the IT services sector. I hope you enjoy reading it and that it helps you to develop your business.

Regards

Chris Howells
Managing Director

What our Customers say about us:

"We needed to gain an entry into the UK market in order to expand the business beyond our domestic borders. They helped to rapidly accelerate our sales by winning two prestigious clients and we now have a foothold" - Jeff Moffa, VP, Emergent Systems

around cheap infrastructures, service differentiation became difficult and so we have ended up in a position where many IT people are charged out at lower hourly rates than plumbers or Jaguar motor mechanics. Clearly stopping dripping taps and keeping the Jag running is more important than some people's businesses.

I am sure that reading this newsletter are business people who are saying this is not the way we do things, our margins are as good if not better than everyone else. To this I would pose a few questions.

1. Are everyone else's margins a good benchmark?
2. Is better than everyone else good enough?
3. Do your margins reflect the true value you bring to your customers?
4. In an ideal world what would your target margins be?

In the next IT SalesPulse I will examine further the low margin syndrome, and how you can start to improve your margins.

Steve Rowe

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